

Wait and see mode

The overnight session was all about the July Fed Minutes and while often these summary notes provide a range of all the different views within the FOMC, taken together the message appears to be that as much as a September hike is a possibility, the Fed is unlikely to move until there is a consensus on the outlook for growth, hiring and inflation.

While concerns from abroad have receded and the pickup in US job gains have helped eased two major uncertainties about the outlook, there are still some concerns about the growth outlook and inflation. As such there was a general consensus that it is prudent to wait for more data before making a decision to hike again.

The Fed meets again on September 20 for two days and since its last meeting economic data has been mixed. Jobs data in July was strong, but July retail sales disappointed suggesting consumption may not be a strong contributor to growth in Q3 and inflation for the month was also soft. Recent data would therefore suggest a hike is not imminent.

Prior to the release of the Minutes most markets were trading water, the USD traded with a positive tone, core global yields were mostly sideways, though equities were a bit heavy. In Europe, the Eurostoxx 600 and the FTSE 100 indices drifted lower for most of the session and ended the day -0.83% and -0.5% respectively. Following the release of the Fed Minute, US equities recovered to close the day marginally in positive territory, UST yields have drifted a little bit lower and the USD is weaker across the board.

Looking at currencies in more detail, the DKK and EUR sit at the top of the leader board up 0.1 and 0.08% against the USD and GBP is unchanged supported by some resilience in the labour market. Overnight the ILO UK measure of unemployment was unchanged at 4.9%, its lowest level since 2004/05 and data showed a fall in jobless claims, rather than a rise the market expected. Ahead of the release of the Fed minutes, the NZD and AUD were under pressure and while both have enjoyed an uplift post the Minutes, the pickup was not enough to lift them back into positive territory against the USD. Both are at the bottom of the leader board down 0.40% and 0.53% respectively

Looking at other news, Fed Bullard was on the wires and he reiterated his view of one more rate hike for this cycle leaving the Fed Funds rate at 0.625% through to the end of 2018.

Coming Up

Australia's labour force report for July is out this morning and our economists expect a net monthly employment growth of 12k which should help keep the unemployment rate unchanged at 5.8%. Our numbers are fairly close to market consensus with Bloomberg showing the expected median at 10k and the unemployment rate at 5.8%.

The usual caveats for the numbers apply, the survey has a tendency to be quite volatile and sample rotations can often be the cause for large swings in the numbers. This month is a classic example; one eighth of the sample that drops out has a higher employment-to-population ratio and a lower unemployment rate than the rest of the sample. So unless the eight that comes in July also has above average metrics, then the chances are that the employment change could be biased down and the unemployment rate biased up.

NAB's expectations for a net monthly employment growth of 12k is driven by positive signals from the likes of the NAB employment index and job advertisements which suggest we should get a solid employment outcome, however this initial number has been adjusted to reflect our expectation of a negative impact from sample rotation. The OIS market is currently pricing around a 50% chance of another RBA rate cut in November. A large negative employment number could potentially push the market to increase the chances of an RBA rate cut this year and weigh on the AUD, however some caution is advised as the devil could be in the detail.

Looking at offshore events, the UK releases retail figures for July (ex-fuel 0.3% exp vs -0.9% prev), Europe gets its construction output for June and final CPI numbers for July (0.9% yoy exp vs 0.9% prev). The US publishes weekly jobless claims and the August Philly Fed Survey. Claims are seen to be little changed at 268k and the Philly Fed is expected to rebound to +2 from 2.9.

Last but not least, Fed's Dudley is scheduled to answer questions at a press briefing in New York and early tomorrow morning Fed Williams speaks in Anchorage where a Q&A is also expected. No doubt both will be pushed to provide more colour around their new thinking of a lower neutral rate and the implications for monetary policy ahead.

Overnight

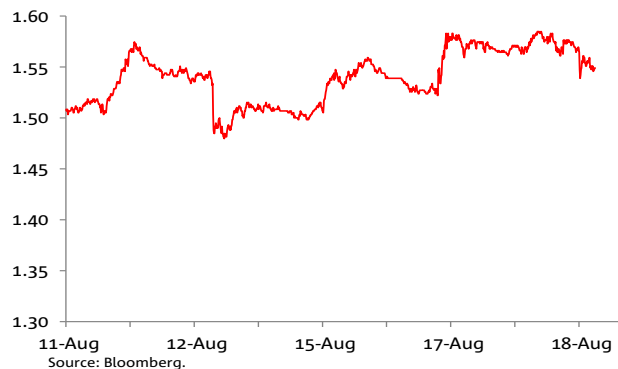
On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years -2.55bp to 1.55%. In commodities, Brent crude oil +1.88% to \$49.82, gold+0.1% to \$1,347, iron ore -1.9% to \$60.87. AUD is at 0.7654 and the range since yesterday 5pm Sydney time is 0.7614 to 0.7676.

Markets

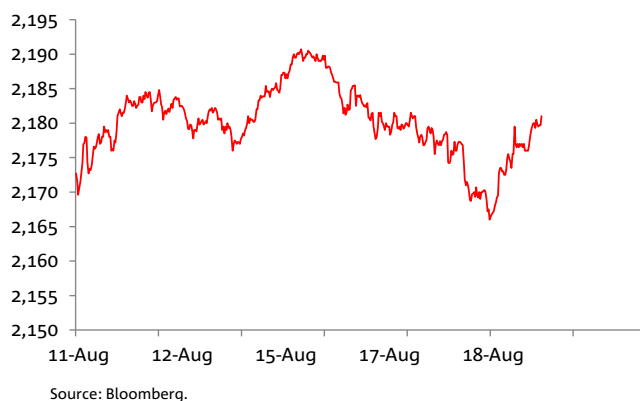
AUD/USD - past week



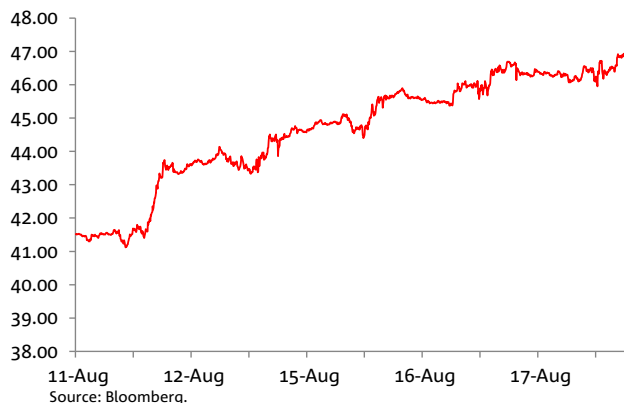
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7654	-0.5	0.7653	0.7656	HKD	7.7544 0.0
NZD	0.7253	-0.4	0.7251	0.7253	CNY	6.6344 0.1
EUR	1.1288	0.1	1.1287	1.1291	SGD	1.3428 0.2
GBP	1.3042	0.0	1.3041	1.3043	IDR	13,147 0.5
JPY	100.25	-0.1	100.17	100.28	THB	34.66 0.1
CAD	1.2846	-0.1	1.2842	1.2848	KRW	1,108 1.5
AUD/EUR	0.6781	-0.6	0.6778	0.6785	TWD	31.39 0.4
AUD/JPY	76.72	-0.6	76.69	76.79	PHP	46.45 0.5
AUD/GBP	0.5869	-0.5	0.5867	0.5873	CHF	0.96 0.1
AUD/NZD	1.0553	-0.2	1.0552	1.0558	SEK	8.42 0.1
AUD/CNH	5.0603	-0.8	5.0766	5.1113		

Equities

Major Indices	Last	% day	% y/y
Dow	18,574	0.1	5.9
S&P 500	2,182	0.2	3.8
Nasdaq	5,229	0.0	2.7
VIX	12	-3.6	-6.4
FTSE	6,859	-0.5	4.7
DAX	10,538	-1.3	-3.7
CAC 40	4,418	-1.0	-11.4
Nikkei	16,746	0.9	-18.5
Shanghai	3,110	0.0	-17.0
Hang Seng	22,800	-0.5	-2.9
ASX 200	5,535	0.1	4.4

Commodities*

	Last	% day
Oil (Brent)	49.82	1.9
Oil (WTI)	46.89	1.0
Oil (Tapis)	48.50	0.8
Gold	1347.30	0.1
CRB	186.90	0.1
GS Metals	278.0	-0.2
Aluminium	1691.0	0.4
Copper	4777.5	-0.4
Nickel	10189.0	-0.4
Zinc	2265.5	0.4
Ch. steel	2539.0	-1.2
Iron ore	60.9	-1.9
Coal	68.1	0.7
Wheat Chic.	441.3	0.3
Sugar	19.7	-2.5
Cotton	68.3	0.5
Coffee	138.5	-1.5

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.80	0.98	1.42	USD 10	1.55	-2.55
AUD	1.50	1.76	1.63	2.10	AUD 10	1.91	3.00 0.36
NZD	2.00	2.22	1.96	2.41	NZD 10	2.19	4.20 0.64
EUR	0.00	-0.30	-0.21	0.31	CAD 10	1.05	-1.10 -0.50
GBP	0.25	0.38	0.42	0.72	EUR 10	-0.05	-2.00 -1.60
JPY	-0.04	-0.01	-0.04	0.09	GBP 10	0.56	-2.20 -0.99
CAD	0.50	0.90	0.92	1.28	JPY 10	-0.07	1.50 -1.62

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.11	1.50
3/10 sprd	-0.31	1.50
SPI	5514.0	-27.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.48	-4.5
Jun-2017	4.50	-4.5
Dec-2017	4.52	-4.4

* cisd = market holiday

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

* All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

** These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

Last is around 6:30am Sydney

Source: Bloomberg

Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Thursday, 18 August 2016								
NZ	ANZ Job Advertisements MoM	Jul				0.5	22.00	8.00
JN	Trade Balance Adjusted	Jul		167.65		335.0	23.50	9.50
JN	Exports/Imports YoY	Jul		-13.7		-7.4/-18.8	23.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	Aug				118.2/-0.6	1.00	11.00
CH	Property Prices	Jul						
AU	Employment Change/Unemployment rate	Jul	12/5.8	10/5.8		7.9/5.8	1.30	11.30
AU	Participation Rate	Jul	64.9	64.9		64.9	1.30	11.30
AU	RBA FX Transactions Market	Jul				1720	1.30	11.30
AU	RBA's Hancock in Panel Participation in Sydney							
JN	Machine Tool Orders YoY	Jul F				-19.6	6.00	16.00
EC	ECB Current Account SA	Jun				30.8	8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Jul		0.3/3.9		-0.9/3.9	8.30	18.30
EC	Construction Output MoM/YoY	Jun		/		-0.5/-0.8	9.00	19.00
EC	CPI MoM/YoY	Jul		-0.5/0.2		0.2/0.1	9.00	19.00
EC	CPI Core YoY	Jul F		0.9		0.9	9.00	19.00
EC	ECB account of the monetary policy meeting						11.30	21.30
CA	Int'l Securities Transactions	Jun				14.7	12.30	22.30
US	Initial Jobless Claims	Aug 13		265		266.0	12.30	22.30
US	Philadelphia Fed Business Outlook	Aug		2		-2.9	12.30	22.30
US	Fed's Dudley answers questions at press briefing in New York						14.00	0.00
US	Leading Index	Jul		0.3		0.3	14.00	0.00
US	Fed's Williams Speaks in Anchorage						20.00	6.00
Friday, 19 August 2016								
NZ	Net Migration SA	Jul				5670.0	22.45	8.45
NZ	Credit Card Spending MoM/YoY	Jul				-0.8/4.1	3.00	13.00
JN	All Industry Activity Index MoM	Jun		0.9		-1.0	4.30	14.30
UK	Public Finances (PSNCR)/Central Government NCR	Jul		/		14.9/20.0	8.30	18.30
CA	Retail Sales/Ex autos MoM	Jun		0.5/0.3		0.2/0.9	12.30	22.30
CA	CPI NSA MoM/YoY	Jul		0/1.4		0.2/1.5	12.30	22.30
Monday, 22 August 2016								
JN	Supermarket/Convenience store Sales YoY	Jul				-0.5/0.8	5.00	15.00
US	Chicago Fed Nat Activity Index	Jul				0.2	12.30	22.30
CA	Wholesale Trade Sales MoM	Jun				1.8	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 19				59.3	14.00	0.00
Tuesday, 23 August 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 21				117.6	23.30	9.30
CH	MNI Business Indicator	Aug					1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug P				49.3	2.00	12.00
EC	Markit Eurozone Manufacturing PMI	Aug P				52.0	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Aug P		/		52.9/53.2	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Aug		/		-4.0/5.0	10.00	20.00
CH	Conference Board Leading Economic Index	Jul					13.00	23.00
US	Markit US Manufacturing PMI	Aug P				52.9	13.45	23.45
US	Richmond Fed Manufact. Index	Aug		5		10.0	14.00	0.00
EC	Consumer Confidence	Aug A				-7.9	14.00	0.00
US	New Home Sales, #/MoM	Jul		577/-2.5		592.0/3.5	14.00	0.00
Wednesday, 24 August 2016								
NZ	Trade Balance	Jul				127.0	22.45	8.45
AU	Skilled Vacancies MoM	Jul				0.8	1.00	11.00
AU	Construction Work Done	2Q				-2.6	1.30	11.30
JN	Leading Index CI	Jun F				98.4	5.00	15.00
GE	GDP SA QoQ/YoY	2Q F		/		0.4/1.8	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Aug P				53.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	Aug P		/		54.4/55.3	7.30	17.30
UK	BBA Loans for House Purchase	Jul				40103.0	8.30	18.30
US	House Price Purchase Index QoQ	2Q				1.3	13.00	23.00
US	FHFA House Price Index MoM	Jun		0.3		0.2	13.00	23.00
UK	CBI Total Dist. Reported Sales	Aug				-11.0	24-29 Aug	
JN	Small Business Confidence	Aug				47.8	24-28 Aug	15.00
US	Existing Home Sales, #/MoM	Jul		5.55/-0.36		5.6/1.1	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		7-Sep				0.50%		
Australia, RBA		6-Sep	1.50%			1.50%		
Europe ECB		8-Sep				0.00%		
UK BOE		15-Sep				0.25%		
Japan, BoJ		21-Sep				-0.1% to +0.1%		
US Federal Reserve		22-Sep				0.25-0.50%		
New Zealand, RBNZ		22-Sep	1.75%	2.00%		2.00%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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